Subsidies on food and fertilizers

*291.SHRI A. VIJAYARAGHAVAN:
SHRI MANOJ BHATTACHARYA:

Will the Minister of FINANCE be pleased to state:

(a)whether there is any report prepared with the assistance of National Institute of Public Finance and Policy on subsidies released during the year 2004;

(b)if so, whether there is any proposal in the report to reduce direct subsidies on food and fertilizers;

(c)if so, the details thereof;

(d)whether there is any proposal in the report to reduce minimum support price for farmers;

(e)if so, the details thereof;

(f) whether the competent authority accepted the recommendations of the report, and

(g) the details of the ratio of all direct subsidies paid by the Central Government to Gross Domestic Product (GDP) for the last one decade, year-wise and category-wise?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBRAM): (a) to (e) A report "Central Government Subsidies in India" prepare with the assistance of National Institute of Public Finance and Policy on subsidies was submitted to Parliament on December 23, 2004. This report was in pursuance of the commitment made in Budget 2004-05 to this effect with the objective of targeting subsidies sharply at the poor and the truly needy like small and marginal farmers, farm labour and urban poor. The report is in the nature of a discussion paper evaluating the strengths and weaknesses in the design of subsidies. It also details some policy options that may be considered in restructuring subsidies. The policy options given in the report, *inter alia,* include reducing the volume of suosidies relative to revenue receipts, limiting them to merit (deserving) categories, administering subsidies more directly to the targeted beneficiaries through greater reliance on transfers rather than price subsidies, setting realistic minimum support price not exceeding the C2 cost (all cash costs and cost of family labour)

fixed by the Commission on Agricultural Costs and Prices, gradually introducing food stamps, de-canalising urea imports, issuing tradeable fertilizer coupons for poor and marginal farmers and eliminating subsidy on LPG.

(f) This report provides a framework for debate and discussion on the issue of restructuring subsidies. This report was discussed in the first meeting of the Consulative Committee of the Ministry of Finance on February 8,2005. Based on wider discussions and consultations, and after a careful assessment of its impact, Government proposes to evolve a policy for targeting subsidies.

(g) The data on the proportions of all explicit subsidies to gross domestic product is given below:

Subsidies of the Central Government
(As per cent of GDP)

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05 (RE)	2005-06 (BE)
A **Major** Subsidies	**1.02**	1.00	**1.17**	**1.19**	**1.17**	**1.24**	**1.34**	**1.65**	1 57	**1.45**	1.33
1 Food subsidy	0 45	0 44	0 52	0 52	0^9	0 58	0 77	0 98	0 91	0 83	0 75
2 Indigenous (Urea) fertilizers	0 36	0 35	0 43	0 43	0 45	0 45	0 35	0 32	0 31	0 33	0 29
3 Imported (Urea) fertilizers	0 16	0 09	0 05	0 02	0 00	0 00	0 00	0 00	0 00	0 02	0 03
4 Sale ot decontrol fertilizers with concession to farmers	led 0	0 12	0 17	0 22	0 23	0 21	0 20	013	0 12	0 16	0 15
5 Petroleum subsid;	*Y*							0 21	0 23	0.11	0 10
6Grants to NAFED	for MIS/PPS						0 02	0 01	0 01	0 01	0 01
B. Other Subsidies	50.05	**0.14**	**0.05**	**0.17**	**0.09**	**0.05**	**0.03**	**0.11**	**0.03**	**0.04**	**0.03**
7 Import/export of S Edible Oils etc	lugar 0 01			0 01							
8 Interest subsidies	0.00	0 09	0 01	0 08	0 07	0.01	0 01	0 03	0 01	0 02	0 01
9 Others Subsidies	0 04	0 05	0 04	0 08	0 02	0 04	0 02	0 08	0.02	0 02	0 02
Total Sutfeidies	**1.07**	**1.13**	**1.22**	1.36	**1.26**	**1.28**	**1.37**	**1.77**	1.60	**1.50**	1.36

SOURCE: Expenditure Budget Vol. I. 2004-05 and 2005-06.

*292—*Withdrawn*